

Wellmark, Inc. 2019 Pre-ACA Rate Filing Observations

- The 8.1% average rate increase proposal affects the company's pre-ACA (grandfathered and transitional) blocks of business. The proposal varies from 5.3% to 11% depending on the policy form or block/pool in question (Farm Bureau vs. Wellmark), and covers over 63,000 Iowa lives on over 250-million dollars of Iowa premiums.
- For any medical insurance rate increase proposal, the review involves analyzing the carrier's experience (premiums vs. claims), trend (the growth in the cost of the claims caused by unit cost increases along with utilization increases), and other assumptions to determine if the rate increase proposal is actuarially justified. A technically sophisticated analysis with several different models are utilized to gauge the validity and reasonableness of the proposal. The type of analysis utilized, the formulas and methodology, and overall process have developed over a period of many years and have been reviewed by consulting actuaries for completeness and appropriateness.
- Two reviews are conducted to confirm the carrier's proposal. An internal review is conducted by the Insurance Division's health team and another review is independently conducted by a consulting actuary (of our choosing) on a contracted basis. The dual review system has been in place for 10-years. Along with the key observations noted here, we will also post the consulting actuary's written report on our website after the Commissioner issues his ruling.
- Key observations from the IID review: Un-trended past loss ratios for this block have averaged nearly 86% over the last 7-years. (Federal law requires a minimum medical loss ratio (MLR) of at least 80% otherwise the carrier must rebate premiums to affected Iowans). In the absence of a rate increase for calendar year 2019, the IID projects a loss ratio of nearly 91%; this exceeds the 80% minimum and thus demonstrates the need for an increase in premiums.
- IID trend models justify a trend rate approaching 9% based upon a review of the PMPM claims and adjusted loss ratios. With the current loss ratios and the growth of claims approaching 9%, the IID's projected loss ratio is nearly 85% after the 8.1% rate increase is applied. After adjustments are made to account for taxes, license, and fees in the federally prescribed medical loss ratio (MLR) formula – the projected MLR is nearly 88% after the increase is implemented. In the event the MLR dips below 80% with the revised rates (over a 3-year rolling basis), affected Iowans will receive a rebate under Federal law.
- The average premium increase is around \$33/ month, i.e., \$438 (2019 projected average premium) less \$405 (current average premium). This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc).